Mizuho Flash: Oil

Economics & Strategy | Asia ex-Japan

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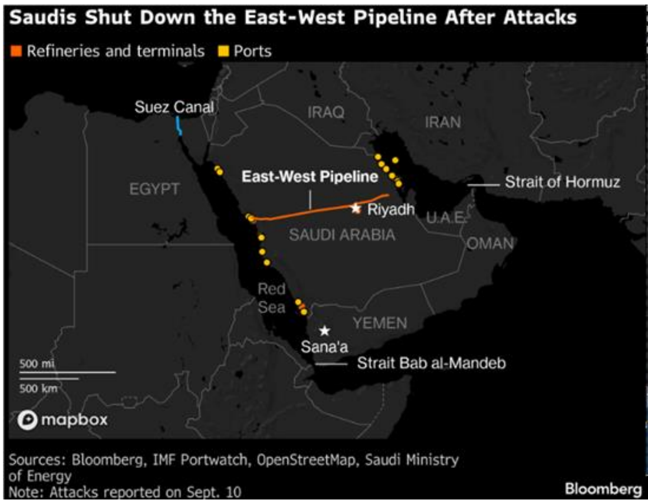
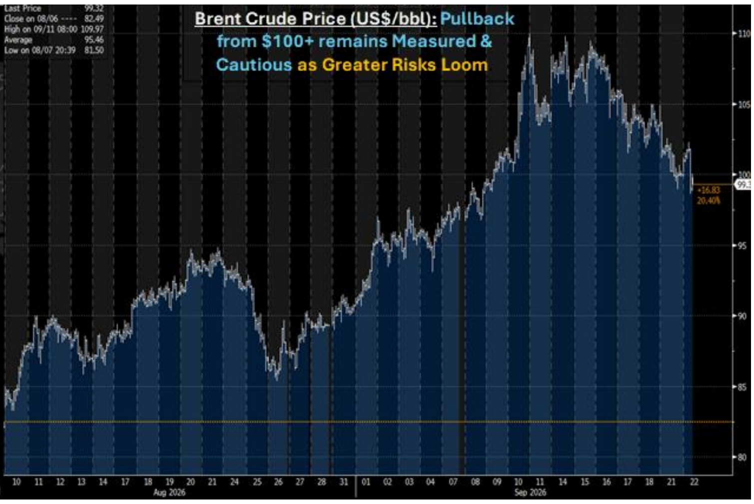
Why Saudi's Ship-to-Ship Oil Sales is Not a Game-Changer





- **News that Saudi Aramco** selling **~60 million barrels (MB) for delivery just outside of the Straits of Hormuz** (for Sep and Oct loading) is **welcome, but not a game-changer**.
- *To be sure,* **ship-to-ship loading** ***outside of Hormuz*** **helps to** *(partially)* **restore deliveries** – *interrupted by Hormuz and East-West Pipeline disruption* – **to refiners**, .
- Moreover, this method of delivery **helps to mitigate**, *if not circumvent*, **risks associated with navigating the Straits of Hormuz**.
- Instead, setting up **more efficient "crude runs" undertaken by vessel better-equipped to traverse the Straits of Hormuz**.
- ***Nonetheless***, this initiative may only provide **limited relief**, ***not a sweeping panacea***.
- Fact is, **60MB over September and October amounts to no more than ~1.5MBpD of crude supply**.
- Optimists may argue that *in theory*, this *translates into as much $5-8/barrel price reduction*.
- ***But in reality***, the ***effective price relief may be just a fraction at $2-3/barrel***, ***if that!***
- Notably, as **disrupted East-West Pipeline diversion of crude is only partially remediated**.
- Whereas an **enduring deal with Iran to re-open the Hormuz** may be **the more decisive trigger for Oil price pullback to be more emphatic and enduring**.

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